Half-Year Figures 2019
Amsterdam, 29 August 2019
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Agenda

- Main points
- Financials
- Neways today
- Operations
- Management agenda & outlook
Main points
Main points

Turnover and results

- Net turnover € 265 mln, organic growth rate of 7.1%
  - Continued growth across segments under more volatile market conditions
    - higher fluctuation in customer demand
    - well positioned portfolio across and within segments
    - shift in demand between product lines in automotive segment
  - Industrial, semiconductor and automotive equally contribute to turnover

- Normalized operating result declined from € 11.0 mln to € 8.9 mln
  - Result impacted by low yield due to ramp-up of new products, unbalance in capacity utilization and relatively high operational expenditures
  - Transformation and component shortage amid increasingly volatile market demand remain challenging for organization
  - Price pressure from supply base tough process to be transferred onto customers
Main points

Inventory management

- Various challenges
  - Increasing and shifting demand and more complexity in orders
  - Reliability supply chain due to scarcity
  - Ramp-up, with limited predictability, new projects with existing and new customers
  - Increased commitments on stock for partners

- Which caused
  - Unbalanced inventories
  - Unbalanced factory loads
  - Forced shift in load between production sites

- Offset by ongoing supply chain initiatives
  - Ongoing integration and standardization of processes
  - QLTC improvement program with suppliers further extended and intensified
  - Enhanced demand management given less reliable supply chain

- Resulting in
  - Reduction inventories under difficult circumstances
  - Better control supply chain (supplier reduction, processes, ownership development process) leading to further inventory reduction in 2019
Main points

Market outlook

- General market trends
  - IoT features more and more prominently in our daily lives
  - Amount of semiconductors used in cars is growing fast
  - Consumer electronics still growing which has big impact on the semiconductor chain

- E-mobility is hot but time-to-market is difficult to predict
  - Causing volatility in the automotive market

- Geopolitical tensions increase market volatility
Main points

Market trends

- Globalization OEMs
- Increasing demand from OEMs for Life Cycle Management, early involvement and shared participation in development process of a product
- Increased electronics content in automotive and medical end products
- Strong increase electronics due to IoT, growth automotive etc. driving scarcity in component market
- Volatility is a given (the only constant is change), global political climate and transformation industries (eg e-mobility)
- Shortened product life cycles
- Increased investment levels
- Intensified cooperation in supply chain through transparency and modern communication
- Consolidation EMS market
- Transition to more regulation
- Product traceability
Financials
## Financials

### Key figures

<table>
<thead>
<tr>
<th></th>
<th>H1-19</th>
<th>change</th>
<th>H1-19</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net turnover</strong></td>
<td>264.5</td>
<td>+7.1%</td>
<td>7.7</td>
<td>-28.7%</td>
</tr>
<tr>
<td><strong>Normalized operating result</strong></td>
<td>8.9</td>
<td>-19.1%</td>
<td>1.8</td>
<td>-28.6%</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>5.1</td>
<td>-25.0%</td>
<td>35.2</td>
<td>-11.8%</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>-8.1</td>
<td>-575.0%</td>
<td>2,972</td>
<td>+1.9%</td>
</tr>
<tr>
<td><strong>Profit per share (€)</strong></td>
<td>0.42</td>
<td>-26.3%</td>
<td>102.6</td>
<td>+12.6%</td>
</tr>
</tbody>
</table>

Note: All figures are in € million unless stated otherwise.
# Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>H1-19</th>
<th>FY 2018</th>
<th>H1-18</th>
<th>FY 2017</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net turnover</strong></td>
<td>264,5</td>
<td>506,8</td>
<td>247,0</td>
<td>438,7</td>
<td>393,2</td>
<td>374,1</td>
</tr>
<tr>
<td>- nominal growth in %</td>
<td>7,1%</td>
<td>15,5%</td>
<td>15,6%</td>
<td>11,6%</td>
<td>5,1%</td>
<td>21,2%</td>
</tr>
<tr>
<td>- comparable growth in %</td>
<td>7,1%</td>
<td>15,5%</td>
<td>15,6%</td>
<td>11,6%</td>
<td>5,1%</td>
<td>-1,3%</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>8,5</td>
<td>21,0</td>
<td>10,5</td>
<td>14,3</td>
<td>11,8</td>
<td>5,9</td>
</tr>
<tr>
<td><strong>Normalized operating result</strong></td>
<td><strong>8,9</strong></td>
<td><strong>22,0</strong></td>
<td><strong>11,0</strong></td>
<td><strong>15,3</strong></td>
<td><strong>12,7</strong></td>
<td><strong>10,1</strong></td>
</tr>
<tr>
<td><strong>Normalized net result</strong></td>
<td><strong>5,4</strong></td>
<td><strong>15,1</strong></td>
<td><strong>7,2</strong></td>
<td><strong>10,0</strong></td>
<td><strong>9,2</strong></td>
<td><strong>6,2</strong></td>
</tr>
<tr>
<td>Extraordinary income/expenditure</td>
<td>-0,3</td>
<td>-0,7</td>
<td>-0,4</td>
<td>-0,1</td>
<td>0,5</td>
<td>-3,0</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>5,1</td>
<td>14,4</td>
<td>6,8</td>
<td>9,9</td>
<td>9,7</td>
<td>3,2</td>
</tr>
</tbody>
</table>

- Gross margin/net turnover: 38,4% - 38,5% - 39,1% - 39,0% - 39,1% - 39,4%
- Gross margin/per employee (k€): 34,2 - 66,3 - 33,1 - 62,3 - 60,0 - 56,9
- Operating margin **: 3,4% - 4,3% - 4,5% - 3,5% - 3,2% - 2,7%
- Net margin **: 1,9% - 3,0% - 2,9% - 2,3% - 2,3% - 1,7%
- EPS (€): 0,42 - 1,20 - 0,57 - 0,86 - 0,85 - 0,28

** Excluding extraordinary income and expenditure
Financials

Turnover and order book

€ mln

<table>
<thead>
<tr>
<th></th>
<th>H1-16</th>
<th>H2-16</th>
<th>H1-17</th>
<th>H2-17</th>
<th>H1-18</th>
<th>H2-18</th>
<th>H1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover</td>
<td>198</td>
<td>184</td>
<td>214</td>
<td>218</td>
<td>264</td>
<td>247</td>
<td>301</td>
</tr>
<tr>
<td>Orderbook</td>
<td>198</td>
<td>191</td>
<td>218</td>
<td>225</td>
<td>264</td>
<td>261</td>
<td>304</td>
</tr>
</tbody>
</table>

Net turnover – H1-19 vs H1-18
- Y-o-Y organic net sales growth of 7.1%
- Strong growth Automotive and Semiconductors
- Growth in industrial, medical flat
- Predictability growth more difficult different segments and within segments
- Spread and positioning within segments supporting growth rate

Order book – H1-19 vs H1-18
- Order book 13.9% growth
- Order book reflects increased long-term visibility and backlog
- Book-to-bill 1.15, equal to last year, largely driven by automotive
Financials

Net turnover and gross margin trends

€ mln

H1-19 vs H1-18

- Gross margin increased 5.2%, largely driven by sales growth
- Relative margin at 38.4% vs 39.1% in H1 2018 caused by lower yield following ramp-up of new products and more box-build systems
- Relative margin decreased resulting from
  - Trend of increasing material content as consequence of more complex Box-build systems
  - Upward price pressure from suppliers, following scarcity in market, to be offset in customer pricing
  - Partly offset by effects supplier improvement program and higher added value products
Financials

Turnover breakdown by market sector

H1-19 vs H1-18
- Strong growth in automotive and semiconductors
- Automotive strong growth amid weaker market climate due to position in e-mobility
- Industrial, automotive and semiconductors equal in size

<table>
<thead>
<tr>
<th>Market Sector</th>
<th>H1 18</th>
<th>H1 19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>76</td>
<td>74</td>
<td>2,7%</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>76</td>
<td>71</td>
<td>7,0%</td>
</tr>
<tr>
<td>Automotive</td>
<td>76</td>
<td>66</td>
<td>15,2%</td>
</tr>
<tr>
<td>Medical</td>
<td>27</td>
<td>27</td>
<td>0,0%</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>9</td>
<td>11,1%</td>
</tr>
<tr>
<td>Total</td>
<td>265</td>
<td>247</td>
<td>7,3%</td>
</tr>
</tbody>
</table>
Opex and operating result trends

Opex H1-19 vs H1-18
- Costs increased with 8.3%, relative increase from 34.7% to 35.0% of turnover
- Cost development largely driven by higher employee costs following increased activity level
- Productivity affected by high efforts to ramp up new products and unbalanced capacity utilization across and within different locations.
- Continued effort to improve productivity through improved operational processes

Normalized EBIT H1-19 vs H1-18
- EBIT decreased by 19.1%, improved margin contribution was offset by increased costs levels
**Financial condition**

**Net debt / EBITDA (ratio)**

- HYE 16: 2.0
- YE 16: 1.5
- HYE 17: 1.8
- YE 17: 1.6
- HYE 18: 1.4
- YE 18: 1.4
- HYE 19: 1.8

*With effect from 2016 Net debt excluding guaranteed capital
Excl IFRS 16 effect HYE 19: 2.0

**Solvency % (Guaranteed)**

- HYE 16: 41.8
- YE 16: 44.6
- HYE 17: 42.1
- YE 17: 44.0
- HYE 18: 39.9
- YE 18: 41.9
- HYE 19: 35.2

*Excl IFRS 16 effect HYE 19: 40.0%

**H1-19 vs H1-18**

- Sound and stable financial basis with increased balance sheet total of € 291.4 million vs € 231.1 million end June 2018.
- Increased balance sheet mainly due to IFRS 16 effect of € 34.4 million.
- Equity increased by 1.0% to € 102.6 million vs € 101.6 million following additional realized profit and converted convertibles partly offset by paid dividend (€ 5.8 million).
- The remaining outstanding convertibles amount to € 1.1 million converted into equity.
- Net debt increased by 35.1% to € 56.6 million vs € 41.9 million last year largely in order to finance increased working capital.
- 12.5% increase LTM EBITDA to € 30.7 million vs € 27.3 million. Excl IFRS 16 effect LTM EBITDA would have been € 28.3 million.
- Solvency decreased to 35.2% fully related to IFRS 16 effect. Excl IFRS 16 effect solvency unchanged at 40.0%.
Financials

Working capital

Net working capital (€ mln)

<table>
<thead>
<tr>
<th></th>
<th>YE 16</th>
<th>YE 17</th>
<th>HYE 18</th>
<th>YE 18</th>
<th>HYE 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,4</td>
<td>79,4</td>
<td>86,2</td>
<td>87,7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

H1-19 vs H1-18

• € 8.3 million increase working capital largely related to:
  • Higher activity level driving inventories and debtors
  • Reduced payables following earlier payments

• Inventory days stabilized and reduced compared to YE18 amidst difficult market situation given instability mix demand and component scarcity. Actions start to pay off (SMOI, tighter monitoring of stocks, supplier reduction)

• Debtors days increased following relative growth automotive, creditors days decreased despite higher activity level
Financials

Cash flow and capex trends

Operating and net cash flow (€ mln)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operational Cash Flow</th>
<th>Net Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>YE 16</td>
<td>10,6</td>
<td>2,6</td>
</tr>
<tr>
<td>YE 17</td>
<td>3,2</td>
<td>-3,4</td>
</tr>
<tr>
<td>HYE 18</td>
<td>5,1</td>
<td>-1,2</td>
</tr>
<tr>
<td>YE 18</td>
<td>7,6</td>
<td>-4,5</td>
</tr>
<tr>
<td>HYE 19</td>
<td>0,4</td>
<td>-8,1</td>
</tr>
</tbody>
</table>

H1-19 vs H1-18

Operations
- Operating cash flow negatively impacted by increased working capital

Investments
- Capex increased from € 6.3 million to € 8.5 million, above depreciation level, in particular to facilitate capacity requirements Automotive

Financing
- On balance net debt increased with € 17.7 million vs HYE 18 due to higher working capital
Financials

Headcount trends

Average # staff

- **Western Europe**
  - 1940
  - 2037
  - 2183
  - 2216
  - 2283

- **Eastern Europe, China & USA**
  - 625
  - 713
  - 733
  - 727
  - 689

**Headcount**

- Knowledge component in human resource mix increasingly important
- No. of engineers approx. 9% of total number of employees
- Higher headcount largely driven by higher activity level, productivity affected by unbalance demand between sites and ramp up new products
- China decreased headcount following lower load
- Recruiting (technically) talented employees increasingly difficult, requiring more effort and inventiveness
## Financials

### Data per share

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</thead>
<tbody>
<tr>
<td>Operating result</td>
<td>0,70</td>
<td>1,76</td>
<td>0,88</td>
<td>1,25</td>
<td>1,03</td>
<td>0,52</td>
</tr>
<tr>
<td>Net result</td>
<td>0,42</td>
<td>1,20</td>
<td>0,57</td>
<td>0,86</td>
<td>0,85</td>
<td>0,28</td>
</tr>
<tr>
<td>Dividend</td>
<td>na</td>
<td>0,48</td>
<td>na</td>
<td>0,35</td>
<td>0,34</td>
<td>0,11</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>8,45</td>
<td>8,50</td>
<td>7,62</td>
<td>7,40</td>
<td>6,89</td>
<td>6,19</td>
</tr>
<tr>
<td>Number of issued shares (x 1.000 year-end)</td>
<td>12.135</td>
<td>11.958</td>
<td>11.955</td>
<td>11.481</td>
<td>11.459</td>
<td>11.401</td>
</tr>
</tbody>
</table>
## Financial condition

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt / EBITDA ratio</strong></td>
<td>1.8</td>
<td>2.0</td>
<td>1.4</td>
<td>1.4</td>
<td>1.6</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Interest coverage ratio</strong></td>
<td>7.7</td>
<td>8.8</td>
<td>11.2</td>
<td>10.8</td>
<td>10.2</td>
<td>6.8</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Solvency (Guaranteed) %</strong></td>
<td>35.2%</td>
<td>40.0%</td>
<td>41.9%</td>
<td>39.9%</td>
<td>44.0%</td>
<td>44.6%</td>
<td>42.6%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>102.6</td>
<td>102.8</td>
<td>101.6</td>
<td>91.1</td>
<td>85.0</td>
<td>78.9</td>
<td>70.6</td>
</tr>
<tr>
<td>**Solvency **)</td>
<td>85.5</td>
<td>85.7</td>
<td>88.7</td>
<td>77.0</td>
<td>73.8</td>
<td>66.1</td>
<td>56.9</td>
</tr>
<tr>
<td><strong>EBITDA (LtM)</strong></td>
<td>30.7</td>
<td>28.3</td>
<td>30.2</td>
<td>27.3</td>
<td>23.4</td>
<td>20.0</td>
<td>16.9</td>
</tr>
</tbody>
</table>

**Note:** incl convertible loans and corrected for intangible assets and deferred tax assets
Neways today
Neways today

Company overview

PROFILE

- Custom-made total solutions for product life cycle management of advanced and integrated electronic applications
- Active in select growth sectors of the Electronic Manufacturing Services (EMS) market
- Products range from electronic components to complete (box-build) control systems

CORE ACTIVITIES

- Engineering
- Connectivity
- Micro electronics
- PCB assembly
- System integration

KEY FIGURES

- € 264.5m
  - H1-19 net turnover
- € 5.1m
  - H1-19 net income
- 2.972
  - H1-19 avg of staff
Neways today

Product portfolio and product applications
Neways today

Business strategy

**AMBITION**
The technology and life cycle partner of choice

**CONDITION**
Understanding customer views, dilemmas and ideas

**MEANS**
Serve select market sectors and PMCs
Build long term partnerships
Maximize customer value

**FOCUS**

- Industry sectors
- Key account management
- Capabilities throughout the life-cycle
- Accelerate acquisition strategy
- Bottom line improvement
- One Neways
- Management Development

Leverage three-pillar improvement program (2018 – 2022)
Three-pillar improvement program: ‘Up to the next level’

- Moving up the value chain
- Driving growth
- Improving profitability
Despite the more volatile market circumstances, we are well positioned. We continue to pursue the strategic direction.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> Key account management</td>
<td>Each sector will embrace Key Account Management Program, aimed at growing existing clients and targeting new accounts</td>
</tr>
<tr>
<td><strong>B</strong> Capabilities throughout the life-cycle</td>
<td>Building capabilities throughout the life-cycle, to become “I-EMS provider”</td>
</tr>
<tr>
<td><strong>C</strong> Bottom-line improvement</td>
<td>Continue with focus on strategy to improve the bottom-line results of the Group</td>
</tr>
<tr>
<td><strong>D</strong> One Neways</td>
<td>Lean harmonization of business processes to improve OC integration in the Group and become one coherent company</td>
</tr>
<tr>
<td><strong>E</strong> Management development</td>
<td>Management and talent development in all leadership positions</td>
</tr>
</tbody>
</table>

UP TO THE NEXT LEVEL
FROM EMS TO LIFE CYCLE PARTNER
Well positioned in E-Car growth areas

- E-drive train
- Charging

E-Car

1. LED charge control
2. Brake control
3. Charging cable
4. Battery management control
5. Electronic control unit for Plug-in-Hybrid cars

Combustor

1. Switch sensors
2. Ambient lighting
3. Wing mirror control
4. Window lifter
5. Tyre pressure sensor
6. Rear view camera
7. Seat sensor
8. Infotainment
9. Ignition modules
10. Brake light switch
11. Dashboard
12. Speed sensor
13. Transmission sensors
14. Control for boot lid straw gate
15. Fuel gas damper control
16. Water pump monitoring
17. Gear indication
18. Throttle
19. Hydrogen pump for fuel cells
20. Chassis control
21. Active electronic suspension
Main points

- Reacting to more volatile market situation
  - Forced products transfers to other locations to meet customer demands (high effort)
  - Still challenges with shortage in certain areas
  - Efficiencies affected due to shifting demands and ramp up new products
  - Invested in high automated concept for some high runner products

- Measures in progress
  - Continue enhance our OE
    - Production System (MES)
    - Adjust flex workforce due to volatile demand
    - Balance utilization
    - Focus on productivity and margin management
    - Demand management enhanced
Main points

- Managing stock in EMS world is a challenge
  - Implemented One Stock program for the group
    - One WoW for Stock accuracy
    - One WoW for Sustainable maintenance of parameter settings
    - One WoW for Order management
    - Developing WoW in Visibility commercial stocks
  - Results in inventory reduction
Main points

- Capabilities throughout the life cycle
  - Competence centers running
  - Component management
    - Smart components
    - Connect Supplier, development/engineering, logistics, customer
  - One quality systems defined and
    - Role out first plant H2
    - Collect all relevant quality data over the life cycle

- One Neways
  - Processes defined on group level (WoW)
  - Several group processes introduced with current systems (people)
  - Selection of system suppliers H2 2019 (tools)
  - Production systems build/test with defined process H1 2020
Highlights H1

- People development
  - Continue Neways DNA
  - Young potential program running
  - Green belt training

- Footprint
  - China factory is running
  - Czech republic (High volume/low Mix)
    - Building operational
    - Transfer current business H2 2019
    - Add SMT capability to new facility Q1 2020
  - Plans in progress to expand in Slovakia for High mix/low volume/box build/cables
Management agenda & outlook
Management agenda & outlook

2019 priorities

- Roll-out of Neways DNA and lean leadership training program in operating companies in China
- Identification and building of knowledge of new PMCs for higher added value solutions
- Drive forward simplification and standardization of the supply chain with a focus on materials purchasing and better supply risk management
- Further strengthening of central alignment with QLTC processes and reducing the workload of operating companies
- Strengthening and expansion of long-term partnerships by applying customer intimacy principles
- Further strengthening of engineering organization by growth of the number of development architects and closer collaboration with operating companies
Outlook

In 2019 we will continue the implementation of our strategy, in which improvement of our operational processes, scalability and customer focus, and our role as supply chain manager are the central issues. If market conditions do not unexpectedly worsen, we expect a higher turnover over 2019 compared to 2018 and a higher operating result over the second half of 2019 compared to the first.
Questions & Answers

Striving for TCO partnerships